

## Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 SSO-00 NSCE-00 USIE-00

INRE-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

AID-20 CIEP-02 TRSE-00 STR-08 OMB-01 CEA-02 COME-00

FRB-02 XMB-07 OPIC-12 LAB-06 SIL-01 FEA-02 SCI-06

IO-14 OIC-04 INT-08 NEA-11 AF-10 DRC-01 /227 W

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O R 211353Z JAN 74

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC IMMEDIATE 2796

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 1 OF 2 THE HAGUE 0319

PASS ALSO TO T/IEP

FOR UNDER SECRETARY DONALDSON FROM AMBASSADOR GOULD

E.O. 11652: GDS

TAGS: ENRG

SUBJ: ENERGY:PREPARATIONS FOR INTERNATIONAL ENERGY

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CONFERENCE

REF: STATE 12410

1. DUTCH VIEWS ON CONFERENCE. AS CHIEF OIL REFINING AND DISTRIBUTION CENTER IN EUROPE AND WITH ENERGY-ORIENTED INDUSTRIAL BASE, NETHS IS OBVIOUSLY INTERESTED IN FREEST POSSIBLE FLOW OF CRUDE AND PRODUCT AT LOWEST POSSIBLE PRICE. ALTHOUGH INTERNATIONAL OIL COMPANIES HAVE DONE EXCELLENT JOB IN MODERATING EFFECT OF BOYCOTT ON SUPPLY OF CRUDE TO DUTCH REFINERIES, EXISTENCE OF BOYCOTT AND UNDERLYING ARAB ANIMOISITY TOWARD NETHS MAKE IT DIFFICULT FOR GON TO CONTEMPLATE SPECIAL GOVERNMENT TO GOVERNMENT DEALS ON FRANCO-BRITISH PATTERN. DUTCH ARE ALSO DEEPLY CONCERNED ABOUT DIVISIVE IMPACT ON EC AND NATO OF OAPEC TACTICS AND SELF-SERVING RESPONSE BY SOME MEMBER COUNTRIES. THEY ARE DISILLUSIONED BY FAILURE OF EC TO PRODUCE SOME SEMBLANCE OF UNITY SINCE NOV 6 STATEMENT IN REPLYING TO EXTERNAL BLACKMAIL IN FIELD CLEARLY WITHIN SCOPE OF ROME TREATY.

2. WITH THIS BACKGROUND, GON (AND WE BELIEVE DUTCH PUBLIC) WELCOMES US INITIATIVE TO MARSHALL MAJOR CONSUMERS TOGETHER IN SEEKING COMMON APPROACH TO BOTH SHORT AND LONG TERM ASPECTS OF PROBLEM AND TO INAUGURATE DIALOGUE WITH PRODUCERE AND OTHER CONSUMERS WITH SOME UNITY OF PRUPOSE. THEY WILL PARTICIPATE VIROROUSLY IN EC EFFECT TO ARRIVE AT COMMON POSITION BEFORE EAG CONFERENCE, BECAUSE EC UNITY IS OF ENDURING IMPORTANCE TO DUTCH. HOWEVER, THEY ARE SKEPTICAL OF SUCCESS AND, WE BELIEVE, DETERMINED TO RESIST ANY EC FORMULATION WHICH WOULD FALL SHORT OF WHOLEHEARTED AND CONSTRUCTIVE RESPONSE TO US INITIATIVE. THEY WOULD RATHER SEE EC DIVIDED IN WASHINGTON THAN UNITED IN NEGATIVISM.

3. MAJOR DUTCH OBJECTIVES AT CONFERENCE WILL BE:

(A) DEVELOPMENT OF FORMULA FOR DIALOGUE WITH PRODUCERS WHICH HAS BEST HOPE OF SATISFYING DEVELOPED COUNTRIES' NEED FOR AMPLE SUPPLIES OF OIL AT REASONABLE PRICE DURING TRANSITIONAL DECADE AHEAD AND AT SAME TIME MEETS PRODUCERS' NEEDS FOR LONG-TERM ECONOMIC VIABILITY;

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(B) AGREEMENT ON SCENARIO WHICH BRINGS LDS'S INTO NEGOTIATIONS AT EARLIEST POSSIBLE MOMENT WITH UNDERSTANDING ON ALL SIDES THAT THEY WILL BECUSHIONED AS FAR AS POSSIBLE FROM BOTH SUPPLY AND PRICE IMPACT OF ENERGY SITUATION;

(C) UNDERSTANDING ON COOPERATION DURING INTERIM DECADE IN BOTH R AND D AND OIL SHARING, PREFERABLY USING EXISTING INTERNATIONAL AND REGIONAL MECHANISMS SUCH AS OECD.

4. INTERMINISTERIAL POSITION PAPER NOW READY FOR CABINET CONSIDERATION WOULD HAVE DUTCH PRESS FOR WASHINGTON CONFERENCE TO LEAD "ALMOST IMMEDIATELY" TO TRIPARTITE CONFERENCE OF PRODUCERS, CONSUMERS AND LDC'S, PERHAPS REPRESENTED RESPECTIVELY BY OPEC, OECD AND "GROUP OF 77" (OR COMMITTEE OF 24). GON PLANNERS HAVE CONSIDERED AND REJECTED UNCTAD APPROACH FOR FEAR IT WOULD GET BOGGED DOWN IN IRRELEVANCIES. THEY ALSO REJECT INCLUSION OF COMMUNIST COUNTRIES EITHER AS PRODUCERS OR CONSUMERS, THOUGH SOME MIGHT CREEP IN AS LDC'S. AS DUTCH SEE IT, THIS TRIPARTITE CONFERENCE MIGHT EVOLVE INTO STUDY GROUP OF MORE MANAGEABLE SIZE TO DISCUSS PRICES AND VOLUMES OF OPEC OIL PRODUCTION AND HOPEFULLY GET INTO MACRO-ECONOMIC STUDIES OF IMPACT OF DIFFERENT PRICE/VOLUME FORMULAE ON ECONOMIES OF DEVELOPED AND DEVELOPING CONSUMERS AND OF IMPLICATIONS OF THIS IMPACT FOR FUTURE VIABILITY OF OPEC COUNTRIES THEMSELVES. DUTCH BELIEVE FRENCH WILL RESIST THIS APPROACH AND MIGHT EVEN RESIST MULTILATERAL DISCUSSION OF PRICES AND QUANTITIES BECAUSE OF FEAR THAT SPECIAL DEALS ON MORE FAVORABLE TERMS MIGHT BE OUTLAWED. DUTCH WILL PROBABLY SURFACE THIS SCENARIO AT FEB 4 COUNCIL MEETING BUT DO NOT EXPECT THAT MEETING TO AGREE ON COMMON EC POSITION.

5. SPECIAL SENSITIVITIES. THESE ARE SUGGESTED IN FOREGOING PARAGRAPHS. OVERRIDING SENSITIVITY IS SOLICITUDE FOR LDC INTERESTS. DUTCH WILL URGE NOT ONLY THAT THEY BE BROUGHT INTO NEGOTIATIONS WITHOUT DELAY BUT ALSO THAT SOLUTION OF THEIR ENERGY PROBLEM BE HIGH PRIORITY OBJECTIVE OF NEGOTIATIONS. ANY APPEARANCE OF VACILLATION, EVASION OR INSINCERITY ON THIS POINT FROM US OR ANY OTHER PARTY TO NEGOTIATION WOULD BE SOURCE OF MAJOR CONCERN TO DUTCH GOVERNMENT AND PEOPLE.

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6. IMPACT ON DUTCH ECONOMY. THIS WAS COVERED IN HAGUE 0273 AND IN PREVIOUS MESSAGES REFERRED TO THEREIN, AS WELL AS IN DATA EMANATING FROM OECD. TO SUMMARIZE BRIEFLY, OIL SHORTAGE AND LATEST PRICE RISES PORTEND CY 74 DUTCH GROWTH RATE OF ZERO (INSTEAD OF 4.5 PERCENT PROJECTED), CONSUMER PRICE INDEX INCREASE OF 14 PERCENT (INSTEAD OF 6), UNEMPLOYMENT OF UP TO 175,000 (INSTEAD OF 105,000), AND PERHAPS SMALL BOP CURRENT ACCOUNT DEFICIT (INSTEAD OF 2.5 BILLION GUILDER SURPLUS). THUS OUTLOOK IS UNAPPETIZING BUT NOT ALARMING.

7. IMPACT ON POLITICAL SITUATION. THERE HAS BEEN SOME CRITICISM OF GOVERNMENT HANDLING OF SITUATION, BOTH IN INITIAL RELATIONS WITH ARABS, WHICH OSTENSIBLY LED TO BOYCOTT, AND

IN IMPOSITION OF RATIONING, WHICH IS NOW SEEN AS UNNECESSARY.  
ORGANIZED LABOR AND LEFT WING ELEMENTS IN COALITION ARE  
UNHAPPY OVER FAILURE THUS FAR TO IMPOSE PRICE FREEZE,  
PARTICULARLY SINCE GOVERNMENT HAS NOW PUT PREVIOUSLY ANNOUNCED  
WAGE CONTROLS INTO EFFECT. IF GOVERNMENT DOES NOT IMPLEMENT

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EFFECTIVE SYSTEM OF PRICE CONTROLS, UNIONS' PRESSURE FOR SAME CAN BE EXPECTED TO MOUNT AND FACE GOVERNMENT WITH SERIOUS PROBLEMS IN COPING WITH PRESENT ECONOMIC SITUATION. CONSERVATIVE OPPOSITION IS SUSPICIOUS OF GOVERNMENT MOTIVES IN SEEKING EMERGENCY POWERS FOR 12 MONTHS. ON THE OTHER HAND GOVERNMENT GOT ITS EMERGENCY POWERS WITHOUT SERIOUS DIFFICULTY AND IS NOT NOW UNDER UNDUE PRESSURE FROM EITHER LABOR UNIONS, COALITION PARTNERS OR OPPOSITION.

8. EFFORTS TO DEAL WITH CRISIS. EMERGENCY POWERS ACT GIVES GON POWER TO FIX WAGES, PRICES, DIVIDENDS, AND RENTS, TO PROHIBIT FIRING OF WORKERS, AND TO CONTROL USE OF ENERGY. ONE OF EARLIEST AND MOST PUBLICIZED MEASURES WAS "CAR-LESS" SUNDAYS WHICH TOGETHER WITH VOLUNTARY SPEED LIMIT OF 100 KILOMETERS AN HOUR SAVED ABOUT 10 PERCENT ON NORMAL GASOLINE CONSUMPTION. REDUCTION OF TEMPERATURES IN HOMES AND OFFICE BUILDINGS ALSO SHOWED GOOD RESPONSE TO GOVERNMENT LEADERSHIP. MORE RECENTLY GON HAS GRANTED COL WAGE SUPPLEMENT, INSTITUTED GASOLINE RATIONING (FROM JAN 12 REPLACING "CAR-LESS SUNDAYS"), MADE AVAILABLE SUPPLEMENTARY FUNDS FOR UNEMPLOYMENT RELIEF, AND SUSPENDED EXPENDITURE OF 750 MILLION GUILDERS FROM CY 74 BUDGET. IT WAS ANNOUNCED JAN 19 THAT BASIC WAGES WILL BE FROZEN AT DEC 31 LEVEL "INDEFINITELY", BUT AT LEAST UNTIL APRIL 1. THERE ARE INDICATIONS THAT GASOLINE RATIONING MAY BE REPLACED BY LESS RIGID FORM OF RESTRAINT, INCLUDING MANDATORY SPEED LIMIT, AFTER FEBRUARY AND THAT TIGHTER PRICE CONTROLS MAY BE INSTITUTED AT SOME POINT. GON WILL ALSO SEEK HIGHER PRICES FOR NATURAL GAS EXPORTS TO GERMANY AND ITALY (ESCALATION IS AUTOMATIC UP TO 70 PERCENT OF HEAVY FUEL OIL PRICE INCREASE IN CONTRACTS WITH BELGIUM AND FRANCE). GON HAS STANDBY EXPORT LICENSE REQUIREMENT FOR PETROLEUM BUT HAS NOT RESTRICTED EXPORTS AND IS NOT EXPECTED TO.

9. ENERGY FACT SHEET.

A. DIRGEN ENERGY WANSINK GAVE US FOLLOWING BREAKDOWN OF  
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DUTCH ENERGY CONSUMPTION 1973 INCLUDING BUNKERS: PETROLEUM 52 PERCENT, NATURAL GAS 42 PERCENT, SOLID FUELS 5 PERCENT, NUCLEAR AND WATER POWER ONE PERCENT, REPRESENTING TOTAL OF 68 MILLION METRIC TONS OIL EQUIVALENT.

B. OIL FLOW FOR NETHERLANDS ON BASIS AVERAGE DAY UNDER NORMAL CONDITIONS (PRE-OCTOBER) IS AS FOLLOWS:

CRUDE IMPORTS-1.4 MILLION BPD  
REFINERY OUTPUT-1.32 MILLION BPD  
REFINED PRODUCT IMPORTS-164,000 BPD  
DOMESTIC CONSUMPTION OF PRODUCTS-500,000 BPD  
BUNKERS-225,000

C. IMPORTS OF CRUDE OIL:  
TOTAL BY COUNTRY JAN-SEPT 1973 IN MILLION METRIC TONS:

|                         |      |
|-------------------------|------|
| SAUDI ARABIA            | 25.9 |
| IRAN                    | 16.3 |
| KUWAIT                  | 14.0 |
| NIGERIA                 | 7.9  |
| QATAR                   | 4.2  |
| ABU DHABI               | 3.0  |
| LIBYA                   | 2.4  |
| ALGERIA                 | 0.6  |
| GABON                   | 0.6  |
| OTHER SOURCES (7)       | 1.6  |
| AVERAGE TOTAL PER MONTH | 8.5  |

ESTIMATED MONTHLY TOTALS OCT-DEC IN MILLION METRIC TONS: ON BASIS OF OIL COMPANY REPORTS:

OCTOBER 10.5  
NOVEMBER 9.7  
DECEMBER 5.2

D. REFINED PRODUCT IMPORTS JAN-SEP 1973 IN THOUSAND METRIC TONS:

|      |       |
|------|-------|
| USSR | 1,125 |
| UK   | 1,036 |

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, SUPPLIES, CONSERVATION, IMPORTS, EXPORTS, LESS DEVELOPED COUNTRIES, ECONOMIC ESTIMATES, INTERGOVERNMENTAL COOPERATION, FOREIGN MINISTERS MEETINGS, TRADE DATA  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 21 JAN 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974THEHA00319  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** n/a  
**From:** THE HAGUE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740126/aaaaayry.tel  
**Line Count:** 318  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EB  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 6  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** STATE 12410  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:** ANOMALY  
**Review Date:** 01 APR 2002  
**Review Event:**  
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**Review Referrals:** n/a  
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**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ENERGY:PREPARATIONS FOR INTERNATIONAL ENERGY CONFIDENTIAL  
**TAGS:** ENRG, NL  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005